

CITY OF MURRAY, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021

CITY OF MURRAY, IOWA
Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	2
DETAILED FINDINGS AND RECOMMENDATIONS:	<u>Finding</u>
Segregation of Duties	A 5
Deposits and Investments	B 5
Publication of Annual Gross Wages	C 5
Unclaimed Property	D 6
Certified Budget	E 6
Financial Condition	F 6
Certificates of Deposit	G 6
Transfers	H 6

CITY OF MURRAY, IOWA
OFFICIALS
June 30, 2021

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pat Collins	Mayor	January, 2022
Jeannie Crees	Council Member	January, 2022
Diana Moffitt-Robins	Council Member	January, 2024
Crissi Tracey	Council Member	January, 2024
Bethany Riemenschneider	Council Member	January, 2022
Pat O'Neil	Council Member	January, 2024
Denise Arnold	City Administrator/City Clerk	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Murray for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Murray's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Murray's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

To the Honorable Mayor
and Members of City Council

6. We observed the City's fiscal year 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Murray's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Murray and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

To the Honorable Mayor
and Members of City Council

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

James H. Bell, CPA, P. C.

Atlantic, Iowa
October 20, 2021

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF MURRAY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Deposits and Investments - At June 30, 2021 the City had not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories had not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa and adopt a depository resolution in accordance with Chapter 12.C.2 of the Code of Iowa. Subsequent to our examination, the City adopted an investment policy and depository resolution as recommended.

- (C) Publication of Annual Gross Wages - The City has not published annual gross wages for all City employees as required by Chapter 372.13 of the Code of Iowa and Attorney General's opinion dated April 12, 1978.

Recommendation - The City should publish annually the gross salaries and wages for all City employees as required by Chapter 372.13 of the Code of Iowa and Attorney General's opinion dated April 12, 1978.

CITY OF MURRAY, IOWA

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (D) Unclaimed Property - Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation - Outstanding obligations should be reviewed annually and amounts over two years old should be reported and remitted to the Office of Treasurer of State annually, as required.

- (E) Certified Budget - Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (F) Financial Condition - At June 30, 2021 the City's Capital Projects - Murray Rec Complex fund has a deficit balance of \$(82,841).

Recommendation - The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial condition.

- (G) Certificates of Deposit - The library, whose records are appropriately included with the City's, has multiple certificates of deposit (CDs) whose interest income is not being properly recorded in the City's records when the interest is received.

Recommendation - The City should record the interest from these CDs as income when each CD statement is received to keep the CD balances accurate in the City's books.

- (H) Transfers - Transfers made were not approved by an official fund transfer resolution.

Recommendation - All transfers should be supported by an approved fund transfer resolution. The transfer resolution should include a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is being received, and the dollar amount being transferred, in accordance with Iowa Administrative Code Section 545-2.1.

* * *